

# How to Win Face in the Korean Cosmetics Market

South Korean Importer Finds U.S. Cosmetics Supplier through BuyUSA.com

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There are tens of thousands of small companies in South Korea, and many of them are looking outside their country for suppliers. South Koreans in general are avid Internet users, so it is not surprising that more and more local buyers are finding what

a featured buyer, and he began searching for suppliers of beauty products.

The Korean company, with a French name, tapped into the physical and virtual network of BuyUSA.com to locate U.S. suppliers of suitable products. Searching for and finding partners via the Internet isn't uncommon, but what is unusual is that both buyer

one-third, and Japan with the remainder. With more South Korean women entering the job market and embracing a Western lifestyle, the \$2.8 billion market for health and beauty products is growing.

Grace Sung, a commercial specialist who covers the cosmetic industry for the Commercial Service in Korea and

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—Mitch Auerbach, Commercial Officer

they need not in Seoul or Pusan but on Google and Yahoo.

One such company based in Seoul was searching for beauty products on Yahoo USA and found BuyUSA.com, a site operated by the U.S. Commercial Service to match U.S. suppliers with foreign buyers. The South Korean owner sent a message to a U.S. Export Assistance Center, asking for membership information. The owner got an e-mail telling him that membership is free to buyers; the e-mail also put him in touch with the U.S. Commercial Service in Seoul. His company quickly qualified through the U.S. embassy as

and seller are pre-screened by the qualifying process through BuyUSA.com. Therefore, both sides of the transaction are assured of quality partners within the BuyUSA network.

But why a French name? Does this choice explain anything about South Korean tastes or needs? As it turns out, the beauty products company with the French name is trying to enhance its market image among consumers who equate things French with female beauty. European cosmetics firms, led by France, have almost two-thirds of the entire South Korean market, followed by U.S. producers with about

who helped the Korean buyer, believes targeting this market is a smart move for U.S. companies. “My job is covering this industry, and I am also a



Mitch Auerbach and Grace Sung, U.S. Commercial Service, with the Korean cosmetics buyer.

Photo courtesy of U.S. Commercial Service, Korea.

Korean professional woman, so I note with particular interest the significant growth in Korea's cosmetic sector—especially Korean women's preferences for foreign products, including U.S. goods." She adds: "This trend will continue since the estimated annual growth for this market is 10 percent, reaching about \$4.8 billion by 2004, and it will bring significant gains for U.S. cosmetics suppliers."

The South Korean importer was drawn to BuyUSA.com because he believes that the U.S. government helps assure that only credible companies populate this site, which has a dotcom name but is really a U.S. Department of Commerce Web site and suppliers must be vetted before they can be featured.

#### LAND OF THE MORNING VITAMIN C

South Korea, Land of the Morning Calm, is turning into the land of the morning vitamin C treatment. The South Korean buyer was looking for skin care products with vitamin C, and the search engine on BuyUSA.com turned up just such a supplier. The transaction took exactly one month from start to delivery of the merchandise. Says the buyer: "The seller was very active in responding to our requests and things were based on our trust, speeding the whole process."

Since beauty care products have complex testing requirements in South Korea, the buyer asked for and received samples of the product. The buyer initiated the testing process and made recommendations for the labeling of the product in line with South Korean government requirements.

The whole deal was done on-line, but the buyer says he and an associate are planning to meet the seller in the United States in the next few weeks. This is good news for the seller, because a visit often signals the desire for a long-term relationship. On-line and off-line, the buyer signed a

### SOUTH KOREAN COSMETICS MARKET

Unit: Million U.S. Dollars

	2000	2001	2002
<b>Imports</b>	<b>213.7</b>	<b>281.9</b>	<b>310.1</b>
<b>Local Production</b>	<b>2,454.5</b>	<b>2,645.6</b>	<b>2,910.2</b>
<b>Exports</b>	<b>87.4</b>	<b>93.1</b>	<b>102.4</b>
<b>Total Market</b>	<b>2,580.8</b>	<b>2,834.5</b>	<b>3,117.9</b>
<b>Imports from U.S.</b>	<b>66.9</b>	<b>97.6</b>	<b>117.1</b>

Source: Korea Cosmetic Industry Association, Korea Customs Service.

10-year exclusive agent contract with the seller, worth \$100,000, with a \$50,000 minimum increase each year after that.

#### LONG-TERM RELATIONSHIPS BEGIN WITH E-MAIL

Meanwhile the South Korean buyer continues to shop regularly at BuyUSA.com. "We search whenever we are seeking a new product or supplier. Also, once we were registered on the site, U.S. suppliers began contacting us by e-mail. From these e-mails, we screen the companies and start receiving product information," he says.

Just because a South Korean company is keen on beauty products with vitamin C, what are the prospects for other buyers increasing purchases via the Internet? After all, don't Koreans value long-term relationships? Commercial officer Mitch Auerbach, interviewed in Seoul, says South Korean importers continue to show great interest in BuyUSA.com and the Internet in general. "Korea is one of the world's leading countries for Internet usage and on a per capita basis among the most 'wired,'" explains Auerbach. Further, South Korean businesses often lack local sources of supply and have not developed personal relations outside the country. "E-business will definitely increase in the future for

South Koreans, especially given that the Internet will continue to serve as a 'virtual' gateway for many imports. BuyUSA.com will continue to be an important resource to help Koreans find U.S. suppliers at home from their desktops." ■